**Fund financial statements.** A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds in the City can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of *governmental funds* is narrower than that of the government-wide financial statement, it is useful to compare the information presented in *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Minneapolis maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Development Agency Special Revenue Fund, the Convention Center Special Revenue Fund, the Permanent Improvement Capital Projects Fund, and the Development Debt Service fund, all of which are considered to be major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 32-35 of this report.

The entity-wide financial statements can be found on pages 30-31 of this report.

Proprietary Funds. The City of Minneapolis maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Minneapolis uses the enterprise funds to account for its Sewer, Solid Waste and Recycling, Water Works, Community Development Agency and Parking activities. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its property management services, fleet of vehicles, management information systems, central stores, engineering lab and asphalt plant, city attorney, workers' compensation, and unemployment benefits. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statement.

The proprietary funds financial statements can be found on pages 37-39 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the programs of the City.

The fiduciary fund financial statement can be found on page 41 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the information provided in the government-wide financial statements. The notes to the financial statements can be found on pages 45-84 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information can be found on pages 85-87 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 90-130 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year the City applied GASB Statement No. 34. The City has not restated prior periods for purposes of providing the comparative data for the Management's Discussion and Analysis (MD&A) because certain prior-year information is unavailable. However, in future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$763,300 at the close of the fiscal year ending December 31, 2002.